

AMENDED IN SENATE JUNE 3, 2003

AMENDED IN SENATE MAY 21, 2003

SENATE BILL

No. 588

Introduced by Senator Johnson

February 20, 2003

An act to amend Sections 17070.75, ~~17584~~, and 33128 of, and to add *and repeal* Section 17463.5 ~~to~~ of, the Education Code, relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 588, as amended, Johnson. Education finance.

(1) Existing law, the Leroy F. Greene School Facilities Act of 1998 (the Greene Act of 1998), requires the State Allocation Board to allocate to applicant school districts, prescribed per-unhoused-pupil state funding for construction and modernization of school facilities, including hardship funding, and supplemental funding for site development and acquisition.

Existing law requires the board to require participating school districts to establish a restricted account within the school district's general fund and to deposit an amount equal to 3% of the school district's general fund into the fund for maintenance of school facilities.

This bill would reduce the required minimum maintenance deposit to 2% of the school district's general fund.

(2) Existing law requires a school district to use the funds derived from the sale of surplus property for capital outlay or for costs of maintenance of school district property that the governing board of the school district determines will not recur within a 5-year period. Existing law authorizes a school district having an average daily attendance of

less than 10,001 in any fiscal year to deposit any and all interest earned on those funds into the general fund of the district if the district meets certain conditions.

This bill would, notwithstanding any other provision of law, and until January 1, 2006, authorize a school district to sell, sell back, lease, or leaseback certain surplus real and personal property, as provided, to deposit the proceeds into the general fund of the school district or county office of education, and to use the proceeds from this transaction for any general fund purpose.

~~(3) Existing law authorizes the governing board of each school district to establish a restricted fund known as the district deferred maintenance fund for the purpose of major repair or other forms of maintenance, as specified. Existing law requires the State Allocation Board to apportion, from the State School Deferred Maintenance Fund, to school districts an amount equal to \$1 for each \$1 of local funds, up to a certain amount.~~

~~This bill would require the State Allocation Board to apportion \$1 for each 50¢ of local funds, up to a certain amount.~~

~~(4) Existing law requires the State Board of Education to adopt standards and criteria to be used by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget. Existing law requires those standards and criteria to include comparisons and reviews of reserves and fund balances. Existing law makes these requirements inoperative on July 1, 2004, and repealed on January 1, 2005.~~

This bill would require the standards and criteria adopted for calculating a reserve to be based on a minimum amount or a percentage of the local educational agency's total expenditures from unrestricted resources, transfers out, and other uses. ~~The bill would make these requirements inoperative on July 1, 2005, and repealed on January 1, 2006.~~ The bill would make conforming changes.

(4) Existing law prohibits the State Board of Education from adopting standards and criteria for a budget reserve for economic uncertainties in excess of 1% of a school district's total expenditures, transfers out, and other uses of the school district for specified school districts, if the school district has agreed to a budget reserve of 1%. Existing law makes this prohibition inoperative on July 1, 2004, and repealed on January 1, 2005.

This bill would make that prohibition inoperative on July 1, 2005, and repealed on January 1, 2006.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) California faces an unprecedented fiscal crisis, and the
4 Legislative Analyst projects that the state will experience
5 operating deficits of \$12 billion to \$16 billion every year, unless
6 significant cuts in state spending are implemented.

7 (b) In a time of fiscal crisis, it is necessary for the state and local
8 agencies to examine the priorities that are essential to the core of
9 each agency's function.

10 (c) Public schools maintaining kindergarten and grades 1 to 12,
11 inclusive, must be given relief from restrictive and costly state
12 mandates so that school districts will have the operational and
13 fiscal flexibility to manage their budgets within the context of the
14 current budget crisis.

15 SEC. 2. Section 17070.75 of the Education Code is amended
16 to read:

17 17070.75. (a) The board shall require the school district to
18 make all necessary repairs, renewals, and replacements to ensure
19 that a project is at all times maintained in good repair, working
20 order, and condition. All costs incurred for this purpose shall be
21 borne by the school district.

22 (b) In order to ensure compliance with subdivision (a) and to
23 encourage school districts to maintain all buildings under their
24 control, the board shall require an applicant school district to do
25 all of the following prior to the approval of a project:

26 (1) Establish a restricted account within the school district's
27 general fund for the exclusive purpose of providing moneys for
28 ongoing and major maintenance of school buildings, according the
29 highest priority to funding for the purposes set forth in subdivision
30 (a).

31 (2) Agree to deposit into the account established pursuant to
32 paragraph (1), in each fiscal year for 20 years after receipt of funds
33 under this chapter, a minimum amount equal to or greater than 2
34 percent of the applicant school district's total general fund
35 expenditures, including other financing uses, for that fiscal year.

1 Annual deposits to the fund established pursuant to paragraph (1)
2 in excess of 2¹/₂ percent of the school district general fund budget
3 may count towards the school district's matching funds
4 requirement necessary to receive apportionments from the State
5 School Deferred Maintenance Fund pursuant to Section 17584 to
6 the extent that funds are used for purposes that qualify for funding
7 under that section. In addition, any school district contribution to
8 this fund may be provided in lieu of meeting the ongoing
9 maintenance requirements pursuant to Section 17014 to the extent
10 the funds are used for purposes established in that section. A
11 school district that serves as the administrative unit for a special
12 education local plan area may elect to exclude from its total
13 general fund expenditures, for purposes of this paragraph, the
14 distribution of revenues that are passed through to participating
15 members of the special education local plan area. This paragraph
16 is applicable only to the following school districts:

17 (A) High school districts with an average daily attendance
18 greater than 300 pupils.

19 (B) Elementary school districts with an average daily
20 attendance greater than 900 pupils.

21 (C) Unified school districts with an average daily attendance
22 greater than 1,200 pupils.

23 (3) Certify that it has publicly approved an ongoing and major
24 maintenance plan that outlines the use of the funds deposited, or
25 to be deposited, pursuant to paragraph (2). The plan may provide
26 that the school district need not expend all of its annual allocation
27 for ongoing and major maintenance in the year in which it is
28 deposited if the cost of major maintenance requires that the
29 allocation be carried over into another fiscal year. However, any
30 state funds carried over into a subsequent year may not be counted
31 toward the annual minimum contribution by the school district. A
32 plan developed in compliance with this section shall be deemed to
33 meet the requirements of Section 17585.

34 (c) A school district to which paragraph (2) of subdivision (b)
35 does not apply shall certify to the board that it can reasonably
36 maintain its facilities with a lesser level of maintenance.

37 (d) For the purposes of calculating a county office of education
38 requirement pursuant to this section, the 2 percent maintenance
39 requirement shall be calculated based upon the county office of
40 education general fund less any restricted accounts.

SEC. 3. Section 17463.5 is added to the Education Code, to read:

17463.5. (a) Notwithstanding any other law, a school district may sell, sell back, lease, or leaseback, surplus real property, together with any personal property located thereon, owned by the district for at least 20 years, to any nonprofit, for profit, or governmental entity; may deposit the proceeds thereof into the general fund of the school district or county office of education; and may use the proceeds from the sale, sale back, lease, or leaseback for any general fund purpose.

(b) A school district that purchased surplus real property, together with any personal property located thereon, entirely with local funds may use the authority granted under subdivision (a) regardless of the length of time the district has owned the property.

(c) This section is repealed on January 1, 2006, unless a later enacted statute that becomes operative on or before January 1, 2006, deletes or extends the date on which it is repealed.

SEC. 4. ~~Section 17584 of the Education Code is amended to read:~~

~~17584. (a) The State Allocation Board shall apportion, from the State School Deferred Maintenance Fund, to school districts an amount equal to one dollar (\$1) for each fifty cents (\$0.50) of local funds up to a maximum of 1/2 percent of the district's second prior fiscal year revenue limit average daily attendance multiplied by the average, per unit of second prior fiscal year average daily attendance, of the total expenditures and ending fund balances of the total general funds and adult education funds for districts of similar size and type, as defined in subdivision (b) of Section 42238.4, for the second prior fiscal year, exclusive of any amounts expended for capital outlay, debt service, or revenues that are passed through to other local education agencies, to the extent of funds available.~~

~~(b) In order to be eligible to receive state aid pursuant to subdivision (a), no district shall be required to budget from local district funds an amount greater than 1/2 percent of the district's second prior fiscal year revenue limit average daily attendance, multiplied by the average, per unit of second prior fiscal year average daily attendance, of the total expenditures and ending fund balances of the total general funds and adult education funds for districts of similar size and type, as defined in subdivision (b) of~~

1 ~~Section 42238.4 for the second prior fiscal year, exclusive of any~~
2 ~~amounts expended for capital outlay, debt service, or revenues that~~
3 ~~are passed through to other local educational agencies.~~

4 ~~(e) The apportionment of funds specified in subdivision (a)~~
5 ~~shall be made by the State Allocation Board after December 1 of~~
6 ~~each fiscal year.~~

7 ~~SEC. 5.—~~

8 *SEC. 4.* Section 33128 of the Education Code, as amended by
9 Section 6.5 of Chapter 1168 of the Statutes of 2002, is amended
10 to read:

11 33128. (a) The standards and criteria to be adopted by the
12 State Board of Education pursuant to Section 33127 shall include,
13 but not be limited to, comparisons and reviews of all of the
14 following:

15 (1) Average daily attendance.

16 (2) Revenues and expenditures.

17 (3) Reserves and fund balance.

18 (4) Multiyear commitments.

19 (b) The standards and criteria adopted by the State Board of
20 Education for calculating a reserve shall be based on a minimum
21 amount or a percentage of the local educational agency's total
22 expenditures from unrestricted resources, transfers out, and other
23 uses.

24 (c) Notwithstanding paragraph (3) of subdivision (a), the State
25 Board of Education shall not adopt standards and criteria for a
26 budget reserve for economic uncertainties in excess of 1 percent
27 of a school district's total expenditures from unrestricted
28 resources, transfers out, and other uses of the school district for a
29 school district that has an average daily attendance greater than
30 125,000 if the school district has, by an affirmative vote of its
31 governing board, agreed to a budget reserve of 1 percent.

32 (d) For the purposes of this section, "transfers out" and "other
33 uses" of the school district have the same meaning as set forth in
34 the California School Accounting Manual.

35 (e) This section shall become inoperative on July 1, 2005, and,
36 as of January 1, 2006, is repealed, unless a later enacted statute,
37 that becomes operative on or before January 1, 2006, deletes or
38 extends the dates on which it becomes inoperative and is repealed.

39 ~~SEC. 6.—~~

1 *SEC. 5.* Section 33128 of the Education Code, as amended by
2 Section 6.7 of Chapter 1168 of the Statutes of 2002, is amended
3 to read:

4 33128. (a) The standards and criteria to be adopted by the
5 State Board of Education pursuant to Section 33127 shall include,
6 but not be limited to, comparisons and reviews of all of the
7 following:

8 (1) Average daily attendance.

9 (2) Revenues and expenditures.

10 (3) Reserves and fund balance.

11 (4) Multiyear commitments.

12 (b) The standards and criteria adopted by the State Board of
13 Education for calculating a reserve shall be based on a minimum
14 amount or a percentage of the local educational agency's total
15 expenditures from unrestricted resources, transfers out, and other
16 uses.

17 (c) For purposes of this section, "transfers out" and "other
18 uses" have the same meaning as set forth in the California School
19 Accounting Manual

20 (d) This section shall become operative on July 1, 2005.

